BC Transit Service Plan

2005-2008

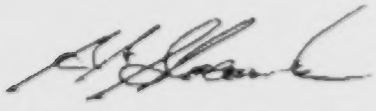
FEBRUARY, 2005

BC Transit

www.bctransit.com

Accountability Statement

The 2005 BC Transit Service Plan was prepared under my direction in accordance with the Budget Transparency and Accountability Act. The Board of Directors are accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions, and identified risks, as of January 2005 have been considered in preparing the plan. We are accountable for ensuring BC Transit achieves its specific objectives identified in the plan and for measuring and reporting actual performance.



GREGORY SLOCOMBE, CHAIR

BC Transit Board of Directors

Honourable Kevin Falcon
Minister of Transportation
and Minister Responsible for
British Columbia Transit

This Service Plan presents the goals, objectives and strategies that will guide BC Transit in the delivery of services and programs for the 2005/06 – 2007/08 fiscal years. The Plan lays out an array of measures designed to ensure BC Transit maintains its national leadership role in the provision of sustainable public transit.

BC Transit, through the efforts of its staff and cooperation with local government and service delivery partners, is meeting the core public transportation needs of customers in more than 50 communities in British Columbia. This result is being achieved despite extraordinary cost increases in fuel, insurance, parts and employee benefits. The next three years will see a continuation of these efforts — through increased use of partnerships with employers, school districts, health authorities, major activity centres and First Nations — to bring added resources and community support to the transit program.

The next three years will also see the introduction of leading-edge transportation technologies — technologies that will not only enhance the environmental benefits of transit, but improve service quality and customer information as well.

I am pleased to note that BC Transit will be the first transit agency in Canada to put new hybrid diesel-electric buses into regular transit service. Three vehicles will be in operation in the Victoria Region and three in Kelowna by late spring 2005. Further work is continuing on early adopter initiatives for fuel cell powered buses. We are also a member of a group of agencies in Greater Victoria that is piloting biodiesel fuel use in a variety of vehicles and operating circumstances.

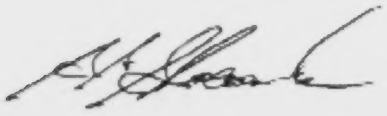
In addition, new technology applications extend to on-street operations and customer information. Plans for a "Smart Travel" initiative entail the use of real-time customer information and more flexible electronic fare payment systems in Greater Victoria as well as the major regional centres in British Columbia. Further investment will also be made in BC Transit's information systems to enhance operational management, performance tracking and decision-making.

The Plan takes into account increased operating contributions from the province and assumes that funding from community partnerships will continue to grow.

The Board of Directors is mindful of the concerns of all funding partners and BC taxpayers, and will continue to make every effort to offset the impact of external cost factors. Through new partnerships and improved service efficiency, cost increases will be offset and, as shown in the Program's forecasts, service levels in Year 1 will be sustained in Years 2 and 3.

The Board's extensive consultation process with local government and other stakeholders over the past year, including a fall 2004 UBCM workshop hosted by the Board and attended by over 50 mayors and regional district representatives, has confirmed the consensus view that the maintenance and further development of transit services is a priority in dozens of communities across British Columbia. Targeting provincial and local government priorities, BC Transit will also continue to work towards the identification of new partnership funding at a level that will support some expansions, new rural and small town services and improved access to post secondary education and health care.

This Plan lays out in some detail how BC Transit's programs and services will support provincial priorities in the next three years: by providing access to jobs, education, health and community services; by partnering with technology developers to introduce and test new sustainable transportation technologies; by promoting safe and healthy communities through reduced traffic congestion and improved air quality; and by developing partnerships with the federal government and others to support transportation infrastructure improvements and innovative transit programs



GREGORY SLOCOMBE, CHAIR
BC Transit Board of Directors

TABLE OF CONTENTS

Organizational Overview 2

Strategic Context 6

Corporate Goals, Objectives and Strategies 12

Summary Financial Outlook 18

Performance Measures, Targets and Benchmarks 23

List of Tables

Table 1	Corporate Budget and Performance Forecast 2005/06 – 2007/08	19
Table 2	Risk Factors and Sensitivities, Corporate Risk Summary	22
Table 3	Victoria Regional Transit System Performance Measures 2003/04 – 2007/08	24
Table 4	Victoria Regional Transit System Financial Benchmarks 2003 Canadian Transit System Comparison	25
Table 5	Victoria Regional Transit System Performance Benchmarks 2003 Canadian Transit System Comparison – Conventional Transit	26
Table 6	Victoria Regional Custom Transit Performance Benchmarks 2003 Canadian Custom Transit Comparison	27
Table 7	Municipal Systems Program Performance Measures 2003/04 – 2007/08	28
Table 8	Municipal Systems Program Performance Benchmarks 2003 Canadian Transit System Comparison – Conventional Transit	30
Table 9	Municipal Systems Custom Transit Performance Benchmarks 2003 Canadian Custom Transit Comparison	31

Appendices

Appendix A	Explanation of Statistics and Performance Measures Used
Appendix B	List of Municipal Transit Systems by Tiers
Appendix C	Fleet Profile and Acquisition Plan

ORGANIZATIONAL OVERVIEW

BC Transit is the provincial Crown agency charged with coordinating the delivery of public transportation throughout British Columbia outside Greater Vancouver. In partnership with local government, the Corporation's mandate includes planning, funding, marketing, fleet management and contracting for the operations of transit services. According to the British Columbia Transit Act (Section 3.1) BC Transit is to:

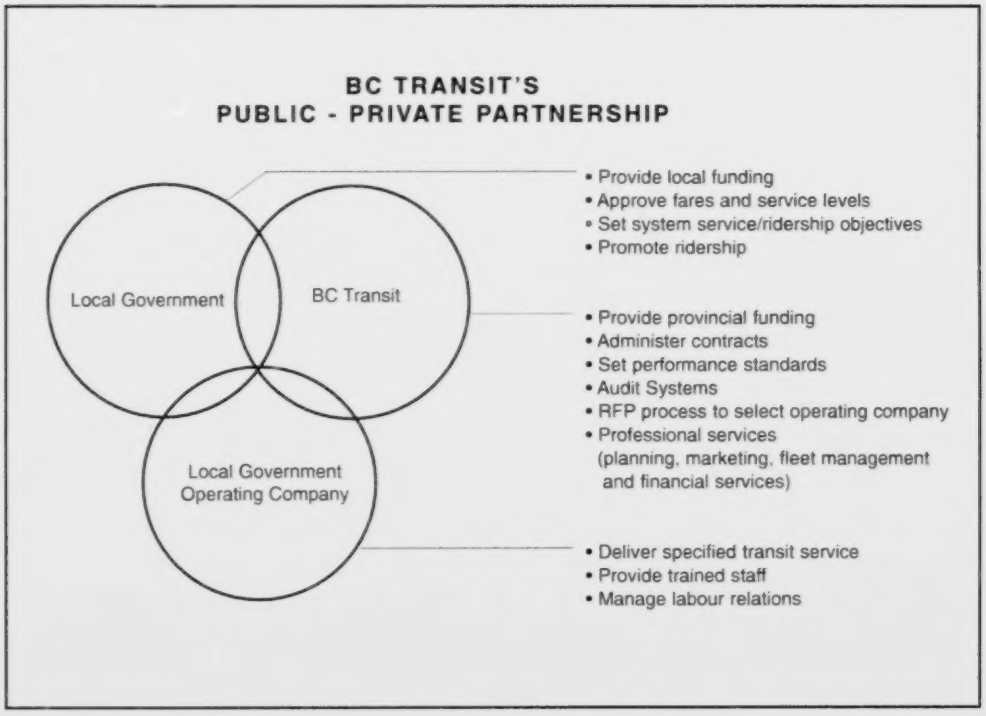
> "... plan, acquire, construct or cause to be constructed public passenger transportation systems and rail systems that support regional growth strategies, official community plans, and the economic development of transit service areas", [and] "to provide for the maintenance and operation of those systems."

The scope of BC Transit's program in 2005/06 is as follows:

- 51 local government partners and in Victoria, the Victoria Regional Transit Commission
- 20 private sector operating companies and 13 non-profit agencies contracted to provide service
- 39 million passengers carried annually
- 1.4 million BC. residents served with public transit
- 77 transit systems
- fleet of 700 buses, minibuses and vans
- $129.6 million operating budget
- $47.8 million provincial operating grant

Working within a framework of provincial/local government/private partnerships, BC Transit benefits from a strong component of local government decision-making and private sector expertise. Victoria is the only location where BC Transit directly operates the conventional transit service. In four locations (Nanaimo, Nelson, Powell River and the Sunshine Coast) the municipality operates the service. Elsewhere, private sector companies or non-profit societies deliver services under contract to BC Transit and the municipal funding partner.

Three types of transit ensure services are tailored to local markets and community needs. **Conventional transit** serves the general population in urban settings using mid-sized, large or double deck buses — mostly fully accessible and low-floor — with fixed routes and fixed schedules. Recent conventional transit innovations have ranged from Community Bus to Bus Rapid Transit. **Custom transit** serves those who cannot use conventional transit because of a disability, using vans and minibuses for dial-a-ride, door-to-door handyDART service, and through contracted Taxi Supplement and Taxi Saver (discounted coupon) programs. In small town, rural and suburban areas **Paratransit** offers flexible routing and schedules for passengers using minibuses, taxis and vans.



GOVERNANCE AND BUDGET DEVELOPMENT

The Corporation is governed by a seven-member Board of Directors appointed by the province according to the *BC Transit Act*. The *Act* requires four of the Board members to be municipally elected representatives. The Chair reports to a provincial cabinet minister. Membership on the Board of Directors is as follows:

Mr. Gregory Slocombe (Chair), President, General Manager and Chief Operating Officer of Ridley Terminals Inc., Prince Rupert

Mayor Walter Gray, City of Kelowna

Mayor Colin Kinsley, City of Prince George

Mr. Bob De Clark, Human Resources Consultant, Nanaimo

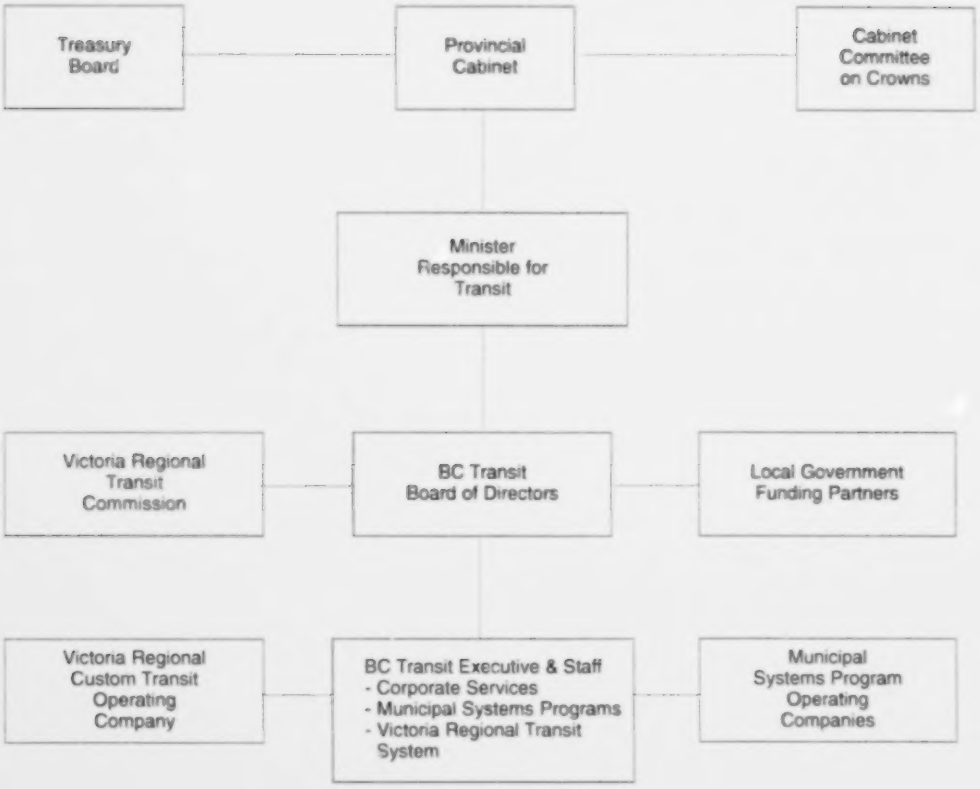
Mayor Christopher Causton, District of Oak Bay

Mayor Don Amos, Town of Sidney

Mr. Dave Fisher, Business Consultant, Kamloops (to December, 2004)

The Audit Committee is the only standing committee of the Board, and meets either as a Committee of the Whole or as full Board in regular session. The relationship of BC Transit and its local government partners to the provincial government is represented on the following page.

BC TRANSIT GOVERNANCE STRUCTURE


Treasury Board
Provincial Cabinet
Cabinet Committee on Crowns
Minister Responsible for Transit
Victoria Regional Transit Commission
BC Transit Board of Directors
Local Government Funding Partners
Victoria Regional Custom Transit Operating Company
BC Transit Executive & Staff
- Corporate Services
- Municipal Systems Programs
- Victoria Regional Transit System
Municipal Systems Program Operating Companies

With respect to budget development, budget estimates are approved by BC Transit's Board of Directors and forwarded to Treasury Board for final approval. Local funding requirements are submitted for the endorsement of the Victoria Regional Transit Commission, other local government partners and approval by BC Transit's Board. Provincial funding is provided through the public transportation sub-vote of the Ministry of Transportation.

This Service Plan and the public transportation budget were tabled in the legislature on February 15, 2005. In July of each year, actual results compared to financial and performance targets set out in this Service Plan are detailed in BC Transit's Annual Report, available on the Corporation's website, www.bctransit.com.

STRATEGIC CONTEXT

VISION

In recognition of the pivotal role public transportation plays in sustaining vibrant, healthy communities, BC Transit's vision is for the:

> Development of transit services, in partnership with each community, to provide essential mobility and travel choice for all residents, where costs of traffic congestion are reduced, air quality and associated health benefits enhanced, more compact and efficient urban development supported and costly new roadway construction deferred.

MISSION

BC Transit's mission statement integrates the Corporation's purpose, products and client base:

> To excel in the provision of safe, reliable, cost-efficient and market-focused public transportation systems that support the social, economic and environmental goals of the customers and communities served.

VALUES

BC Transit strives to ensure that the wide-ranging benefits of public transportation — access to jobs, education and health care; reducing transportation infrastructure and traffic congestion costs; contributing to improved air quality; and enhancing community and regional development — are realized to the fullest extent possible. BC Transit is guided by the following core values:

- A strong commitment to partnerships with local government and private sector / non-profit operating companies — and a commitment to continue developing new community partners throughout the province
- Transparent local decision-making on transit matters — including budgets, services and tariffs — in open sessions at regional districts, municipalities and the Victoria Regional Transit Commission
- Focusing on the market in order to maximize service convenience and appeal to transit riders
- Ensuring safety and security for customers, staff and the public

- Fostering innovation in planning, fleet procurement, service delivery, customer service and administration
- Utilizing sound financial practices, and a competitive procurement process to ensure the highest value is received for dollars spent
- Showing environmental stewardship through responsible purchasing practices and facilities management, and support for community agencies encouraging environmentally responsible transportation

These values are reflected in the day-to-day operations of the Corporation in a myriad of ways — in business jointly and openly conducted with local government partners; in accountabilities shared and embedded in operating agreements with private service providers and funding partners; in a regular tender process that brings the discipline of the marketplace to bear on service delivery; and in performance measures geared to reflect BC Transit's constant focus on safety, the market, and service efficiency and effectiveness.

ISSUES, OPPORTUNITIES AND RISKS

Market Strengths

The market for transit throughout British Columbia is strong and growing. Over the past five years, ridership in the combined transit programs has increased by more than 5 million passenger trips — up 16% — even as service hours grew by only 2%.

As the economy grows and job force participation rises, public transit will be called upon to play an ever-increasing role in community and regional development.

A number of provincial initiatives have also contributed to expanding demand for transit. These include a dramatic increase in post-secondary education facilities; consolidation of government services in larger regional centres; a greater emphasis on home care; and active provincial support for tourism.

Other broader societal factors are also adding to demands for public transportation in many communities. Demographic shifts — in particular an aging population — mean that more of the population is transit-dependant. Choosing to ride transit is increasingly viewed as an environmentally and community-conscious action. As well, the rapidly rising cost of automobile ownership and operation is pushing more riders to public transit.

The Sustainable Funding Challenge

Together the BC Transit Board, local government partners, operating companies and transit staff have achieved substantial progress addressing fiscal challenges. Core services have been maintained; existing services have been rationalized; and efficiencies have been realized. The federal GST rebate for municipalities announced by the federal government in March 2004 — and which BC Transit qualifies for — has also assisted the Corporation in addressing the fiscal challenges.

Since 2002/03, the provincial government has continued to increase its annual contribution. Beginning in 2003/04 the province also made a flex-funding option available to local governments choosing to increase their funding contribution. This year, out of a total of some 50 local government partners, 12 have opted for flex funding, and several new community partnerships have been developed to promote or fund services.

Looking forward three years the pivotal strategic issues for BC Transit will again be satisfying the priorities of municipal partners, meeting market needs, and addressing external cost pressures.

As described later in this Service Plan, the province has announced it will increase its 2005/06 operating grant by $2.3 million – a level adequate to protect core services in 2005/06. For the following two years, the province will increase its operating grant by $2.8 million. The Summary Financial Outlook (beginning on page 18) assumes new partnership funding will be identified that provides sufficient resources to maintain Year 1 service levels in Years 2 and 3.

Public transit is an increasingly essential link for residents, particularly seniors and low income persons who live in small towns and rural areas. BC Transit has worked with a number of local governments not currently part of the Municipal Systems Program to identify rural linkage priorities. Every attempt will be made to identify new partnership and funding sources to initiate some of these priority rural and small town services during the term of this Plan.

Cost Escalation and Financial Risks

In the Plan period, BC Transit — and the transportation industry as a whole — will continue to be exposed to substantial cost volatility in several areas, many of which are outside the Corporation's direct control. (Financial risks are described in some detail on page 21.)

Costs are expected to escalate for fuel, insurance, interest rates, fleet replacement and employee benefits. Maintenance costs will also rise as increasingly sophisticated vehicle technology contributes to costs trending higher. Strategies to address these risks are described in the Tables beginning on page 13.

The expiration of a number of contracts also adds to financial risk. Transit's long-term fuel supply agreement expires on March 31, 2005, and current oil prices are extremely volatile. BC Transit will attempt to negotiate a new futures agreement within its budget provision by the spring of 2005. Collective agreements for the Victoria Regional Transit System, comprising 30% of the Corporation's budget expire on March 31, 2006. The Request for Proposals process in the Municipal Systems is subject to competitive bidding and local market factors. Over the course of this Service Plan some 35 systems, representing a further 33% of the Corporation's budget, will be tendered. Rising cost pressures are expected as local economies and job markets improve during the next three years.

Technology Initiatives

The Corporation is partnering with municipalities, suppliers and senior governments to further the adoption of alternate fuels as well as new hybrid diesel-electric, fuel cell, and biodiesel vehicle technologies. For transit these innovations promise environmental benefits and heightened community acceptance. Where economically viable, BC Transit is seeking early opportunities to put alternate fuels and new vehicle technologies into revenue service. It is anticipated a number of these initiatives will be showcased during the Vancouver 2010 Olympic and Paralympic Games in Whistler, where vehicles loaned from BC Transit's provincial fleet will be put into service providing spectator and volunteer transportation. Through its "Smart Travel" initiative in Victoria and the six largest municipal systems, BC Transit is pursuing federal funding for a project that will help divert more trips from private automobiles to public transit. If approved, this project will entail implementation of real-time bus information for customers at bus stops, by telephone and on websites — and installation or upgrading of convenient, prepaid electronic fare payment technology.

New Funding Partnerships

In the next three years BC Transit will continue to aggressively pursue a variety of partnership opportunities that align with funding, service and community development goals.

BC Transit worked with the Union of British Columbia Municipalities, the Canadian Urban Transit Association and others in helping to secure a commitment from the federal government for its "New Deal for Cities and Communities". This program will see a portion of federal gas tax revenues redirected to cities for infrastructure renewal. While the distribution of funds to provinces will begin in 2005/06, it is not clear at this time what percentage of funds will flow to public transit in British Columbia. The Corporation's Board of Directors will be pursuing funding for transit services once the funding levels and application process are announced, likely in Year 1.

In the Municipal Systems, over the past three years 16 new partnership arrangements with a combined value of $1.4 million have been put in place to help fund service expansions. Discussions are underway with a variety of potential new partners including businesses, local health authorities, school districts, and First Nations to join in the provision of local transit services.

An additional type of partnership — in the form of university pass and youth pass programs — will continue to play a key role in helping BC Transit and its partners develop the student and post-secondary market. This segment already represents some 45% of total ridership, and is growing rapidly.

Finally, BC Transit will continue to seek out federal and provincial partnerships, such as the Clean Air Day initiative, which contribute to realizing the goal of healthier communities and a sustainable environment.

Capacity Issues

There are expected to be important capacity issues related to fleet, the transit workforce and information systems over the next three years.

Typically it takes 18 months to two years to procure a new transit vehicle. Should any service expansions or new systems be approved for Years 2 and 3, vehicle orders would need to be placed early in Year 1. Approximately one quarter of the conventional fleet will be reaching the end of its useful life — normally 17 to 20 years — during the next four years. As well the fleet plan (see Appendix C) will need to reflect the requirement for new vehicles to be used as part of the transit services in Whistler during the 2010 Olympics.

Risks associated with an aging workforce may include difficulty replacing specialized skills and increased absenteeism. Information technology will help address this and other challenges. Off-the-shelf software will decrease the dependence on the skill sets of internal specialists who are approaching retirement. Information technology will be used to enhance cost control, management decision-making and the timeliness and accuracy of performance reporting. BC Transit's hardware and software capacity will continue to be updated over the course of the Plan as the remainder of the daily operations management system is completed, and depot and fuel management systems are improved.

CORPORATE GOALS, OBJECTIVES AND STRATEGIES

ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

This 2005 – 08 Service Plan is built upon the three principal goals and associated objectives and strategies outlined below. In turn, these goals support and link directly to the priorities of the provincial government's Strategic Plan in a number of ways.

- *A strong and vibrant provincial economy* — BC Transit provides necessary access for citizens to jobs, job retraining, health services and education, and manages its services in an efficient and effective manner. It creates partnerships with employers, technology developers, and others to support transportation infrastructure and transit programs.
- *Safe, healthy communities and a sustainable environment* — BC Transit contributes to improved environmental quality by reducing traffic congestion, supporting growth strategies and participating in the early adoption of new environmentally-friendly technologies.
- *A supportive social fabric* — BC Transit provides essential access for citizens to community activities, education, retraining and social and health services.

BC Transit's goals, objectives, strategies and targets for the next three years are described in the pages that follow. The targets detailed in this Service Plan represent the desired results to be achieved through implementation of BC Transit's strategies.

Specifically, targets have been set in the areas of economic performance, as well as access to jobs, education and community services. In addition, BC Transit has established targets to measure progress in meeting two important goals of the transit program: support for sustainable communities, and reductions in the environmental impact of the public transport system throughout the Victoria Region and the Municipal Systems.

Collectively, these initiatives and associated targets ensure the alignment of BC Transit's programs with the economic, environmental and social priorities stated in the provincial government's Strategic Plan.

GOAL 1 – SERVICE DELIVERY

Maximize the efficient and cost-effective use of resources in the provision of safe, innovative and customer-oriented services to meet present and evolving market demands.

1. OBJECTIVE: **Deliver core services**

Strategy A. Use enhanced data analysis to reallocate service from lower demand periods to areas of higher demand

Targets:
Continuous improvement in average rides/hour program-wide for conventional transit services — at least 1.5% per annum in Victoria; 2% per annum in the Municipal Systems

Maintain industry-leader high productivity level in custom transit services

Strategy B. Optimize the fit between passenger demand in specific markets and the vehicle used to deliver service

Target:
Increasing average vehicle load factor each year through targeted use of high capacity bus and community shuttle vehicles and services

2. OBJECTIVE: **Improve resource utilization, cost containment, revenue maximization and workforce productivity**

Strategy A. Undertake further strategic purchasing initiatives to maximize volume discounts for products used province-wide, including negotiation of long-term fuel contracts and external agent joint purchasing agreements

Target:
Successfully source Original Equipment Manufacturers (OEM) providers and others to increase "e-commerce" purchasing by 10% each year

Strategy B. Improve life-cycle maintenance and cost tracking

Targets:
In Victoria, through improved maintenance job control system, 75% of maintenance work to be comprised of "planned" work in Year 1; with 5% improvement in this rate annually in Years 2 and 3

In Municipal Systems Program, through e-billing reports from contract operators, 70% of work to be tracked against specific bus and vehicle components in Year 1; with 5% improvement annually in Years 2 and 3

Strategy C. Focus on information technology investments to enhance cost control and decision-making

Targets:
Complete implementation of all major enterprise systems in Year 1, including dispatch management system, and fuel and inventory management systems in Year 1 in Victoria

Subject to successful outcome of business case analysis, implement new financial planning and forecasting tools in Year 1

Strategy D. Pursue RFP (request for proposals) process refinements to reduce costs

Target:
Develop incentive provisions for inclusion in future operating contracts starting in Year 1

Strategy E. Increase revenue from advertising, leases, and other non-core areas of service provision

Target:
Increase non-operating income by 10% each year

Strategy F.	Reduce fuel consumption by extending the Smart Driver and Fuel Sense Programs to targeted Municipal Systems **Target:** Complete training, monitoring and reinforcement for the program in Victoria and Tier 1 Municipal Systems by end Year 1; extend to other targeted Tier 2 systems in Year 2
Strategy G.	Conduct a high level Enterprise Risk Management assessment on a joint basis with TransLink **Target:** Complete the assessment, identify high level corporate risks and remedial actions in Year 1, and incorporate in future Service Plans
Strategy H.	Expand shared services with school districts **Targets:** Promote the shared services concept through BC Transit Board consultation with the Union of B.C. Municipalities (UBCM) and B.C. School Trustees Association Working Group Implement or enhance partnership agreements with at least two School Districts in Year 1
Strategy I.	Address the challenges of an aging workforce through apprentice program review, enhanced workplace wellness and return-to-work programs **Target:** In Victoria, review initial response to "Route to Health Program" in Year 1, and conclude Apprentice Program review in Year 1.
3. OBJECTIVE:	**Improve transit safety for passengers and transit workers, and reduce the costs of accidents**
Strategy A.	Reduce workplace and customer accidents through ongoing training and improved performance feedback **Targets:** Continuous reduction in WCB claims in each year of the plan. (BC Transit - Victoria) Preventable accidents reduced by 5% below 2003/04 actuals by Year 1 (BC Transit - Victoria)
4. OBJECTIVE:	**Implement high priority service improvements**
Strategy A.	Pursue funding through new community partnerships with third parties to extend services to areas not presently served, including priority small towns and rural areas **Target:** Implement eight new community partnerships and increase value of these partnerships by 50% to a level of $750,000 by Year 3
Strategy B.	Develop a fleet and operational plan for public transportation within Whistler and nearby areas for 2010 Winter Olympics **Target:** Develop a Memorandum of Understanding with the Vancouver Olympic Organizing Committee in Year 1; complete this plan by Year 3

5. OBJECTIVE: **Identify and target services to new and growing markets**

Strategy A. Develop new service and tariff strategies to aggressively develop increased post-secondary market share

Target:
In the Municipal Systems develop one new U-Pass program each year

Strategy B. Develop and propose more flexible tariff products, fare media and post-trip billing systems in concert with local government priorities and approval

Targets:
In the Municipal Systems put agreements in place with at least two major employers in Year 1 and build equivalent or greater number of new agreements in following two years

In the VRTS develop and implement a post-billing transit pass program for provincial employees in Year 1, and for all federal employees in Greater Victoria by Year 2

Strategy C. Develop strategies to link to government healthcare policies

Targets:
Establish a working relationship with regional health authorities and other health care providers to ensure improved linkages to health care in all regions, particularly with respect to assessing transportation requirements for major new capital investments in health facilities

In Year 1, develop and launch a specific model for the above type of program with one health authority; expand in subsequent years

Strategy D. Develop strategies to link to provincial government job access priorities

Targets:
Support established Transportation Demand Management (TDM) agencies to establish transit element of Journey to Work Programs; execute at least one strategy in Year 1 in Tier 1 Municipal Systems; expand in subsequent years

Build public transit considerations into transportation planning processes for all new major employment facilities with more than 200 employees

GOAL 2 – COMMUNITY DEVELOPMENT

Plan and deliver transit services that meet local land-use and growth priorities, while furthering the development of safe, healthy communities and a sustainable environment.

1. OBJECTIVE: **Identify and adopt new technologies to enhance customer service, environmental quality and transit's community benefits**

Strategy A. Introduce and evaluate hybrid diesel-electric bridging technology

Target:
By May 2005 acquire six hybrid diesel-electric assembly line-produced vehicles, and begin an initial evaluation and reporting

Strategy B. Conduct a pilot test project using biodiesel fuels in Victoria

Target:
Begin testing six transit buses fueled with biodiesel (beginning December 2004); report test results mid Year 1

Strategy C. Commence work on an "early adoptor" program that would see BC Transit acquire and place hydrogen fuel cell buses in regular service in Victoria and Whistler

Target:
Federal funding for preliminary business case study is anticipated; study to be competed in Year 1, with introduction target in Year 3

Strategy D. Introduce real-time customer information for handyDART pick-up and dispatch

Target:
Implement in Victoria in Year 1; prepare evaluation report; and if successful extend in Year 2 to at least two Tier 1 Municipal Systems

Strategy E. Through the "Smart Travel" initiative in Greater Victoria and the six largest municipal systems, implement real-time bus information for customers at bus stops, by telephone and on websites; also introduce (or in the case of Victoria refine) electronic fare payment technology

Target:
Launch program in Year 1

2. OBJECTIVE: **Support regional growth strategies, community planning initiatives and municipal empowerment**

Strategy A. Deliver transit planning programs that support community priorities and local transportation demand management initiatives

Target:
Major studies: Kamloops Transit Business Plan in Year 1; in Years 2 and 3, update other system plans based on the normal three to five year planning cycle

Strategy B. Broaden environmental education, public transit education and climate change efforts through partnerships with all levels of government, and with non-governmental organizations

Targets:
Subject to funding, incorporate two more communities in Clean Air Day partnerships in Year 1; subsequent two years extend to all Tier 1 and 2 Municipal Systems

Extend and enhance public awareness around Environment Canada's "One Tonne Challenge" program, and support municipal partners applying for program funding

Continue involvement in the Canadian Urban Transit Association's (CUTA) "Visibility, Image and Positioning" (VIP) program until completion of program review by CUTA end of Year 1

Support launch of the Community Energy Association's plan for the Capital Regional District in Year 1; look for opportunities to extend community energy planning process to Municipal Systems Tier 1 communities in Years 2 and 3

GOAL 3 — FUNDING AND GOVERNANCE

Establish a new and sustainable funding and governance framework.

1. OBJECTIVE: **Support the provincial government in defining sustainable new funding arrangements, and an accompanying governance framework**

Strategy A. Work with the Minister Responsible for BC Transit to define the role of the BC Transit Board of Directors with regard to local government consultation about new funding and governance arrangements

Target:
Develop the transit funding and governance consultation process for local government in Year 1

Strategy B. Pursue new funding and operational efficiencies to offset anticipated cost increases, in order to maintain current services through the term of the Plan.

Target:
Secure new funding and operational efficiencies totalling $1.1 million in Year 2 and $1.7 million in Year 3 to offset funding shortfalls, to maintain Year 1 service levels in Years 2 and 3.

Strategy C. Work with local government partners and the UBCM in defining implementation mechanisms for the federal government's "New Deal for Cities and Communities"

Target:
In Year 1, ensure that BC Transit's Board works with UBCM to develop mechanisms for incorporating transit funding into the "New Deal"

Strategy D. Assist communities in pursuing funding from other federal government programs, including infrastructure funds

Target:
Assist local governments in the development and submission of two major funding applications annually

Strategy E. Coordinate advocacy efforts with the Canadian Urban Transit Association (CUTA), Federation of Canadian Municipalities (FCM) and others, and work with partners to introduce measures supporting public transportation

Target:
Develop an activity plan with CUTA, the Federation of Canadian Municipalities (FCM) and others to advocate for tax-exempt employer-provided transit benefits

SUMMARY FINANCIAL OUTLOOK

The following section provides high-level projections for revenues and expenditures, and also sets out key forecast assumptions and risks.

2005/06 – 2007/08 SUMMARY FINANCIAL OUTLOOK

The three year forecast for the Corporation's revenue and expenses across all programs is presented on the following page in Table 1, followed by a description of key assumptions. It summarizes funding, performance, service hours, passengers and full-time employee equivalents (FTE) forecasts for BC Transit corporately over the Service Plan period. Actuals for 2003/04 are based on audited financial statements. The current forecast for 2004/05 and the forecasts forward to 2007/08 are based on corporate financial forecasting models. Ridership estimates are based on industry-standard, statistically valid counting methodologies.

The salient points are:

- The 2005/06 forecast includes the effects of the continuation of existing service levels as of February 2005.
- Service hours provided in 2006/07 and 2007/08 (Years 2 and 3) of the Plan remain at the Year 1 level.
- To maintain service levels at the 2005/06 level in Years 2 and 3 of the Plan requires additional funding, which at present is unspecified and uncommitted, totalling $1.1 million in 2006/07 and $1.7 million in 2007/08.

Table 1

Corporate Budget and Performance Forecast 2005/06 – 2007/08

BC TRANSIT
2005/06 - 2007/08 FORECAST

(Figures in thousands)

	2003/04	2004/05	2005/06	2006/07	2007/08
	Actual	Current Forecast	Current Forecast	Current Forecast	Forecast
Funding					
Provincial Operating Grants	46,193	45,491	47,758	48,264	48,264
Provincial Supplemental Funding		1,040			
Deferred Revenue	(735)	460	400		
Passenger & Advertising Revenue	41,510	44,927	44,810	45,696	46,461
Local Taxation	33,064	31,951	36,619	38,356	38,673
Unidentified*		-	-	1,118	1,664
Total	**120,032**	**123,869**	**129,587**	**133,434**	**135,062**
Estimates					
Victoria Operating Costs	49,832	51,000	53,393	54,877	54,627
Municipal Systems Operating Costs	56,884	59,252	61,016	62,456	63,622
Debt Servicing - Local Share	13,316	13,617	15,179	16,100	16,813
Total	**120,032**	**123,869**	**129,588**	**133,433**	**135,062**
Capital Expenditures					
Prepaid Capital Advance	2,915	3,794	10,745	4,977	6,127
Fiscal Agency Loan	3,875	6,925	13,594	4,923	8,394
Total	**6,790**	**10,719**	**24,339**	**9,900**	**14,521**
Debt[1]	**83,066**	**82,639**	**88,447**	**83,179**	**75,703**
Imputed Provincial Share of Debt Service & Amortization	**9,641**	**9,617**	**10,658**	**11,413**	**11,947**
Performance					
Service Hours					
Victoria Regional Transit System	660	673	692	692	692
Municipal Systems Program	897	939	949	949	949
Total	**1,557**	**1,612**	**1,641**	**1,641**	**1,641**
Passengers					
Victoria Regional Transit System	19,703	19,747	19,967	20,282	20,493
Municipal Systems Program	17,787	18,387	18,657	19,147	19,645
Total	**37,490**	**38,134**	**38,624**	**39,429**	**40,138**
FTEs[2]	**580.9**	**577.5**	**596.5**	**599.0**	**599.0**
Municipal System Annual Operating Agreements	**63**	**64**	**64**	**64**	**64**

* *This represents future funding requirements that are currently unspecified and uncommitted.*

[1] *Fiscal Agency Loans, net of sinking fund.*

[2] *Annual average. Includes employees working on capital projects.*

- The forecast includes provincial funding of $47.8 million for 2005/06 and $48.3 million for 2006/07 and 2007/08.
- Currently local partners can elect to increase their share of funding to maintain or increase service levels, although they are not compelled to do so. For purposes of this plan only confirmed flex-funding arrangements are incorporated in the budget.

Inflation factors for the Victoria Regional Transit System reflect:

- No wage and salary increases in 2005/06; adherence to PSEC guidelines in 2006/07 and 2007/08
- Materials and services inflation per provincial guidelines, 2%
- Insurance cost increases at 2%
- Fuel costs include a 20% provision in 2005/06 and projected inflation rate thereafter
- Maintenance costs reflect required maintenance previously deferred, major component overhauls and mid-life tune-ups.

Inflation factors for the Municipal Systems program reflect:

- Known contracts (collective agreements, contract terms with operating companies, building leases, etc.)
- Materials and services inflation per *First Quarter Report on the Economy, Fiscal Situation and Outlook*, 1.9% – 2.0%
- 1% annual increase in driver compensation (excluding contracts noted above) in 2005/06 and at the projected inflation rate thereafter
- Fuel costs include a 20% provision in 2005/06 and projected inflation thereafter
- Fixed costs at 2%
- Insurance cost increases at 2%
- Contract renewals through the RFP process include anticipated increases for fixed and variable hourly costs
- Maintenance costs reflect required maintenance previously deferred, major component overhauls and mid-life tune-ups.

FORECAST RISK FACTORS AND SENSITIVITIES

Significant risks associated with the projection for the coming years include:

- Transit's long-term fuel supply agreement expires on March 31, 2005. This agreement was executed at $24.78/barrel (US dollars) and an all-in cost of $.525/litre. Oil prices are extremely volatile.The projection includes 20% inflation for 2005/06 and 2% for subsequent years. As of February 2005, market rates slightly exceeded the 2005/06 budget provision.

- Insurance costs have experienced significant increases since Sept 11, 2001. Current premium rates are stable. However, a major event could trigger an increase, particularly for liability coverage.

- After significant rate increases in 2002-2004, employee benefit costs have stabilized. Employee health benefit costs will be affected by new health care technologies, drug costs and an aging workforce. Employee wellness initiatives are targeting improved fitness and health standards. These improvements should lead to reduction in health related benefit expenditures.

- Maintenance costs through 2007/08 reflect maintenance previously deferred, major component overhauls and mid-life tune-ups as prescribed by preventative maintenance schedules for lowest life-cycle costing. Variability in costs is largely attributable to the fleet age profile and the maintenance schedule.

- Vehicles purchased now are more complex than vehicles being replaced. The newest vehicles include advanced electronic systems, air conditioning, and greater complexity in the drive train and other major components, contributing to a continuing challenge to manage fleet maintenance costs. Passenger amenities have also been added including large format electronic signage, bike racks, and electronic fare processing.

- Collective agreements in Victoria expire on March 31, 2006.

- The Request for Proposals (RFP) process in the Municipal Systems Program is

subject to competitive bidding and local market factors. Regional economic recovery leads to more competitive labour markets and may expose transit to cost increases beyond those assumed.

- Interest rates are projected to trend upwards in response to inflationary factors.

Table 2 below summarizes the external risk factors beyond the company's direct control which may have an impact on the budget, and sensitivity analysis corresponding to cost increases/decreases.

Table 2

Risk Factors and Sensitivities, Corporate Risk Summary

Risk Factor		Dollar Exposure		
		Victoria	Municipal Systems	Total
Interest Rates (new issues)	1%			$140,000
Maintenance Parts Pricing	1%	$41,000	$75,000	$116,000
Fuel	1%	$40,000	$50,000	$90,000
RFP Process	1%		$80,000	$80,000
Benefits	1%	$69,000		$69,000
Benefit costs (Municipal Systems)	1%	$0	$25,000	$25,000
Insurance	1%	$8,000	$15,000	$23,000

PERFORMANCE MEASURES, TARGETS AND BENCHMARKS

This section includes a discussion of key performance measures and targets by program area (VRTS and Municipal Systems) for the three year plan period. Industry-wide standard indicators are used to monitor BC Transit's achievement of strategic goals. These are defined in Appendix A.

Performance of BC Transit's systems is also benchmarked against comparable Canadian transit systems using the most recently available data from the Canadian Urban Transit Association for 2003. CUTA's information is collected using an industry-standard reporting protocol and standardized definitions. The same information is used by Statistics Canada for its "Standard Industrial Classification" (SIC) reports. Performance measures used in this Service Plan are those universally adopted by the North American transit industry.

PERFORMANCE MEASURES - VICTORIA REGIONAL TRANSIT SYSTEM

Table 3 presents performance measures for the Victoria Regional Transit System's conventional and custom transit services.

Table 3 Victoria Regional Transit System

Performance Measures 2003/04 - 2007/08

CONVENTIONAL	2003/04 Actual	2004/05 Forecast	2005/06 Projection	2006/07 Projection	2007/08 Projection
SERVICE EFFECTIVENESS					
Service Hours *(thousands)*	559	565	582	582	582
Revenue Passengers *(thousands)*	19,350	19,375	19,580	19,891	20,099
Revenue Passengers / Hour	34.6	34.3	33.6	34.2	34.5
Rides / Capita	58.6	57.9	58.0	58.4	58.5
COST EFFICIENCY					
Operating Cost Recovery	50.1%	53.8%	51.2%	50.6%	51.6%
Operating Cost Per hour	$80.37	$81.04[1]	$81.94	$84.19	$83.51
Operating Cost per Revenue Passenger	$2.32	$2.36	$2.44	$2.46	$2.42

[1] *Excludes $200,000 funding in latter part of year for one-time maintenance campaigns.*

CUSTOM	2003/04 Actual	2004/05 Forecast	2005/06 Projection	2006/07 Projection	2007/08 Projection
SERVICE EFFECTIVENESS					
Service Hours *(thousands)*	101	108	110	110	110
Revenue Passengers -Total*(thousands)* [1]	353	372	387	391	394
Revenue Passengers - handyDART *(thousar*	285	298	306	308	308
Revenue Passengers / Hour - handyDART	2.8	2.8	2.8	2.8	2.8
COST EFFICIENCY					
Operating Cost Recovery - Total	6.5%	6.8%	6.1%	6.0%	5.8%
Operating Cost Per hour - handyDART	$46.19	$42.82[2]	$47.91	$49.40	$50.59
Operating Cost per Revenue Passenger - T	$14.02	$13.54	$14.73	$15.03	$15.29

[1] *Total custom ridership includes Taxi Saver Program*

[2] *Includes a one-time cost recovery for taxi saver recovery accrual*

The highlights of performance presented in Table 3 above for the VRTS in the next three years are as follows:

- In the conventional system — with constant service hours — increases in passengers per service hour are forecast, indicating higher passenger loading on available equipment and the elimination of less productive service.
- Operating cost per hour is forecast to increase through 2006/07 primarily as a result of planned maintenance expenditures. Cost containment strategies target

lowest life cycle costs. For fleet, the life cycle cost includes the combination of vehicle replacement strategy, debt financing on capital purchase and maintenance expenditures.

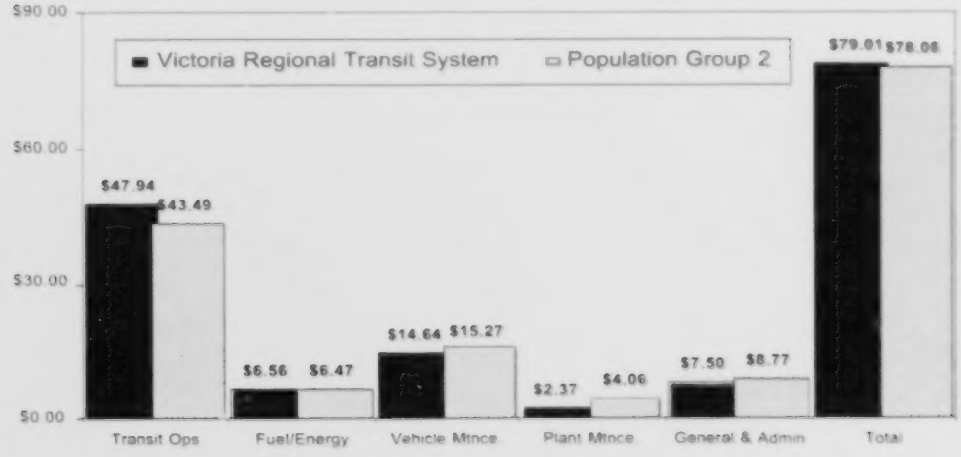
- Even with growing ridership, slight increases in cost per revenue passenger in 2006/07 on the conventional side reflect higher vehicle maintenance expenditures and other cost increases.
- Overall, cost recovery diminishes slightly in both conventional and custom transit as no tariff increase is included. Tariff increases are a decision of the Victoria Regional Transit Commission.

Victoria Regional Transit System Benchmarking

The graphs presented in the tables below benchmark the performance of the Victoria conventional transit system to the average for Group 2 systems (population served of 150,000 – 400,000) based on data supplied by CUTA for the most current year available. Table 4 provides a breakdown of operating cost per hour by major internal cost categories, and Table 5 provides other industry standard benchmarking data for the conventional system.

Table 4 Victoria Regional Transit System Financial Benchmarks 2003
Canadian Transit System Comparison (operating cost per hour by cost category)

Canadian Urban Transit Association - 2003 Benchmarking
Cost per Hour Comparison of Victoria to CUTA Group 2



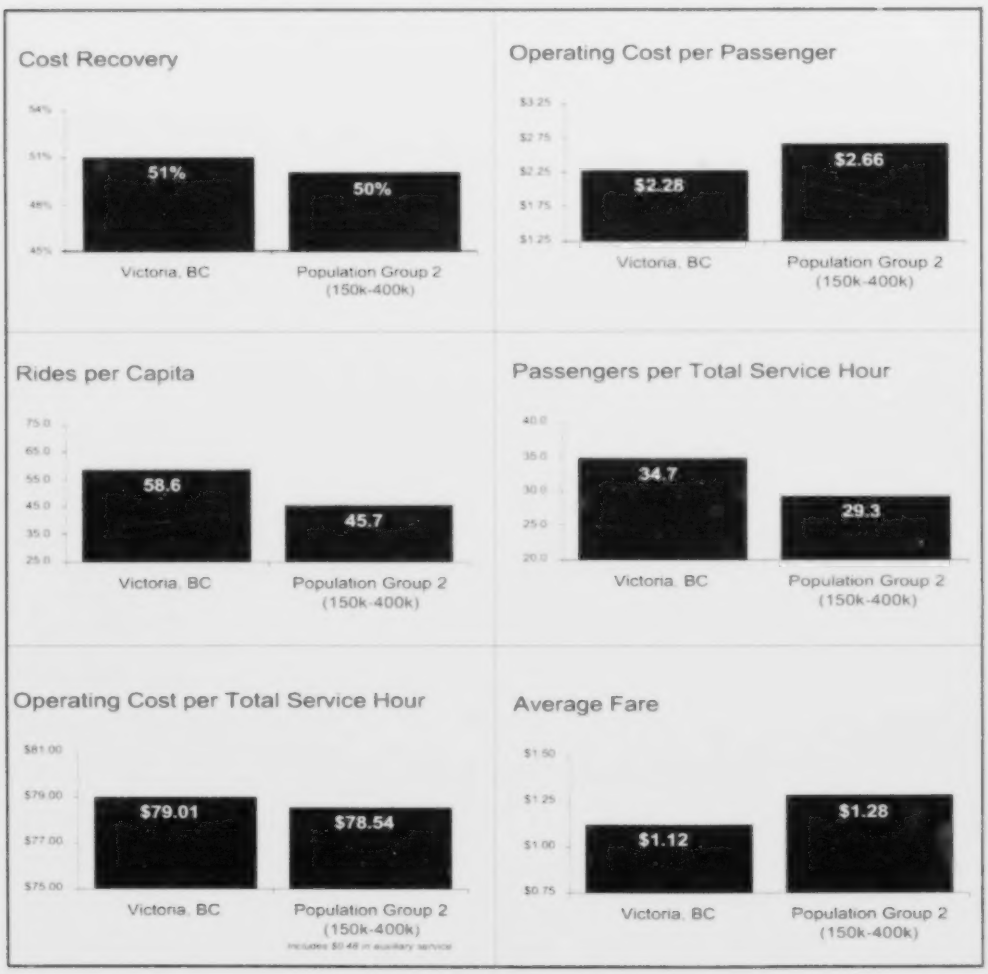
As noted above in Table 4, the VRTS compares favourably in terms of administration, energy and maintenance costs. Direct operating costs, however, are unfavourable, reflecting the higher wages, benefits and work rule costs for this system. The performance, efficiency and cost containment initiatives outlined in the discussion of Goal 1, Service Delivery strategies (including 0% wage increases in the current year and Year 1 of this Plan) will ensure that costs for the VRTS will continue to improve. This will mean that the operating cost per service hour for the VRTS will be brought in line with the average of the CUTA peer systems.

Table 5

Victoria Regional Transit System Performance Benchmarks 2003

Canadian Transit System Comparison

Conventional Service



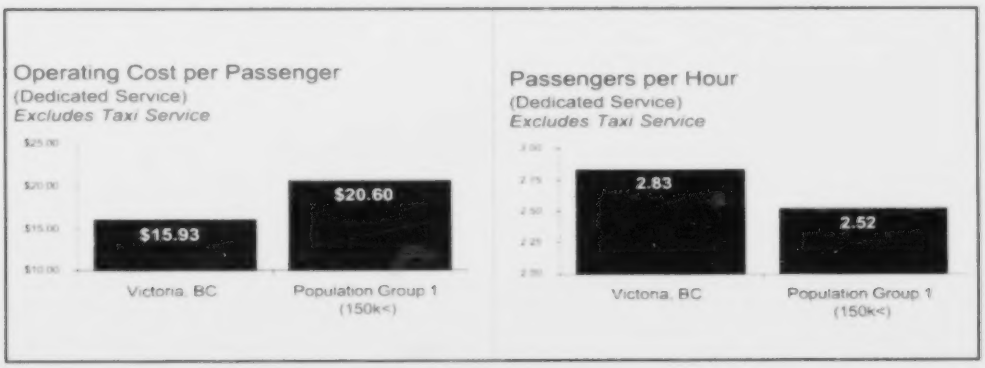
As shown in Table 5, performance of the VRTS conventional service is well above the Canadian average on the basis of industry standard measures of efficiency and effectiveness in all areas except operating cost per hour. The operating cost ranking is still in the middle of the range for peer systems despite the higher wage and benefit costs of the region mentioned previously. In addition, most of the comparable transit systems are line departments within a municipality, with central corporate services such as payroll, human resources and legal services not fully allocated to the transit operation.

Table 6 below presents custom transit performance in Victoria compared to the peer system average.

Table 6

Victoria Regional Custom Transit Performance Benchmarks 2003

Custom Service



As Table 6 shows, the operating cost per passenger in the VRTS custom transit service is very favourable to the peer average as a result of dispatching efficiencies and the competitive bidding process. The passengers per vehicle hour are above the peer average.

PERFORMANCE MEASURES

MUNICIPAL SYSTEMS PROGRAM

Table 7 below presents performance measures for the Municipal Systems Program conventional and custom transit services.

Table 7

Municipal Systems Program

Performance Measures 2003/04 – 2007/08

CONVENTIONAL	2003/04 Actual	2004/05 Forecast	2005/06 Projection	2006/07 Projection	2007/08 Projection
SERVICE EFFECTIVENESS					
Service Hours *(thousands)*	662	691	700	700	700
Revenue Passengers *(thousands)*	16,534	17,068	17,342	17,823	18,312
Revenue Passengers / Hour	25.0	24.7	24.8	25.4	26.1
Rides / Capita	20.2	20.7	20.8	21.2	21.5
COST EFFICIENCY					
Operating Cost Recovery	37.4%	38.7%	37.5%	37.5%	37.8%
Operating Cost Per hour	$67.97 [1]	$67.28 [2]	$68.75	$70.48	$71.82
Operating Cost per Revenue Passenger	$2.72	$2.72	$2.78	$2.77	$2.75

[1] *Includes $0.68 for Whistler Remediation*

[2] *Excludes $800,000 funding in latter part of year for one-time maintenance campaigns*

CUSTOM	2003/04 Actual	2004/05 Forecast	2005/06 Projection	2006/07 Projection	2007/08 Projection
SERVICE EFFECTIVENESS					
Service Hours *(thousands)*	235	248	249	249	249
Revenue Passengers -Total*(thousands)* [1]	1,253	1,319	1,315	1,324	1,333
Revenue Passengers - Van*(thousands)*	1,098	1,151	1,161	1,170	1,179
Revenue Passengers / Hour - Van	4.7	4.6	4.7	4.7	4.7
COST EFFICIENCY					
Operating Cost Recovery - Total	15.6%	16.7%	15.5%	15.4%	15.2%
Operating Cost Per hour - Van	$47.25	$46.04 [2]	$48.02	$48.94	$49.87
Operating Cost per Revenue Passenger - Total	$9.51	$9.07	$9.78	$9.89	$9.99

[1] *Total custom ridership includes Taxi Saver Program*

[2] *Includes a one-time cost recovery for taxi saver recovery accrual*

In the Municipal Systems the performance highlights reflected above in Table 7 are as follows:

- On the conventional side, service hours will increase in 2005/06 to reflect the full year impact of service implemented part way through 2004/05. These hours are forecast to remain constant through new supplementary and partnership funding in 2006/07 and 2007/08.
- Operating cost per hour for conventional service will increase with inflation, higher maintenance costs and significantly higher fuel prices. Transit operations are also subject to the competitive bidding process.
- In the custom transit program, including handyDART and paratransit, service hours are maintained over the Plan period. Currently, the program has the highest productivity rate for similar systems across the country. It is expected that over the Plan period the historic rate of passenger productivity improvement will slow.

MUNICIPAL SYSTEMS PROGRAM BENCHMARKING

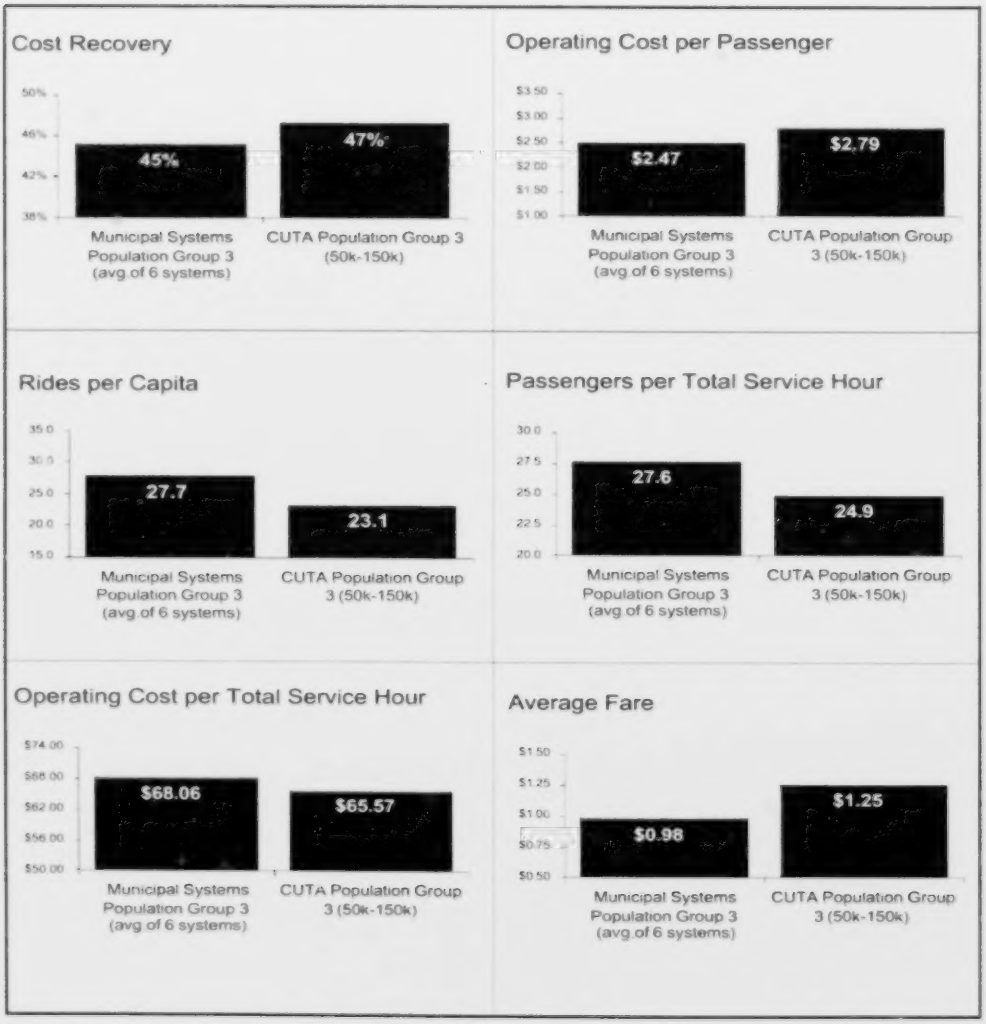
The graphs presented in Table 8 below benchmark conventional transit systems performance in Tier 1 communities (50,000+ population, plus Whistler) against comparative data from CUTA. The results for CUTA are for Population Group 3, from 50,000 to 150,000 residents, and the most recent year available. They are compared to Municipal Systems Program figures for 2003/04.

Table 8

Municipal Systems Program Performance Benchmarks 2003

Canadian Transit System Comparison

Conventional Transit



The six Tier 1 conventional transit systems of the Municipal Systems Program represent 67% of the total conventional transit service in the program. They perform better than their Canadian counterparts in a number of areas. The BC systems have a higher number of passengers per service hour, a lower operating cost per passenger and more rides per capita. They have a slightly higher operating cost per hour by $2.49 or about 4%. Many of the CUTA peer systems are a line department of a municipality, with some corporate services such as payroll, human resources and legal services located elsewhere in the municipal organization and the costs of these are not fully allocated to the transit operation. Cost recovery is slightly lower due to lower average fares, which are set by local government partners.

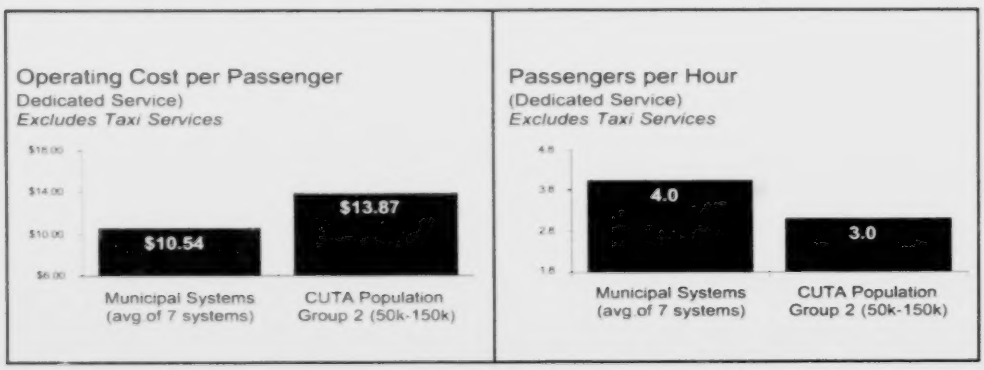
Custom transit benchmarks for the Municipal Systems are presented in Table 9 below. The graphs presented benchmark custom transit systems in communities with populations between 50,000 – 150,000.

Table 9

Municipal Systems Custom Transit Performance Benchmarks 2003

Canadian Custom Transit Comparison

Custom Service



Custom transit figures are based on the combined average performance of seven BC Transit custom transit systems in communities falling within CUTA's Population Group 2. The benchmark data shows that Municipal Systems custom transit performs at a level far exceeding national averages. Costs per passenger are 32% lower than the national average, while productivity rates are approximately one-third higher than the national average.

APPENDICES

APPENDIX A
Explanation of Statistics and Performance Measures Used

Statistics include operational outputs and transit service area statistics. These factors, when used in a ratio, indicate commonly compared industry standard performance measures.

Total service hours represent the total number of hours that the transit fleet is in regular passenger service.

Revenue passengers represent transit riders who have made one fare payment to use the transit service. (Passengers who use a transfer and board more than one bus to complete a trip are only counted once.)

Operating cost includes all transit expenditures with the exception of debt servicing.

Operating revenues include passenger and advertising revenue. It excludes property tax and fuel tax revenue.

Population is for the defined transit service area.

Performance measures are statistical ratios combining system outputs, and transit service area statistics to benchmark performance within the industry and operational trends over time.

Cost Recovery reflects annual operating revenue divided by total annual cost. This ratio indicates the proportion of costs recovered from operating revenue. Fares are established by the local partners. A strong cost recovery is desirable, as it reduces the subsidy from the taxpayer.This factor, however, is a municipal policy decision.

Operating cost per passenger reflects annual operating cost divided by annual passengers carried. This ratio indicates the efficiency of transit expenditures directed toward passengers carried. Consistent or decreasing cost per passenger indicates that ridership is growing faster than costs.

Operating cost per hour reflects annual operating cost divided by annual total service hours.The ratio also reflects efficiency. Increasing cost per hour indicates operating costs are increasing faster than service hours.

Rides per capita reflect annual passengers carried divided by regional population. This is a measure of market share and effectiveness in services that transit markets.

Passengers per hour reflect annual passengers divided by annual total service hours.This ratio is a primary measure of the effectiveness of the service provided.The ratio improves with lower average trip lengths, or higher average speeds.

APPENDIX B
List of Municipal Transit Systems by Tiers

CONVENTIONAL TRANSIT SYSTEMS
24 SYSTEMS

Tier 1
Central Fraser Valley
Kamloops
Kelowna Regional
Nanaimo Regional
Prince George
Whistler

Tier 2
Campbell River
Chilliwack
Comox Valley
Cowichan Valley
Penticton
Vernon Regional

Tier 3
Cranbrook
Dawson Creek
Fort St. John
Kitimat
Kootenay Boundary
Nelson
Port Alberni
Powell River
Prince Rupert
Squamish
Sunshine Coast
Terrace Regional

CUSTOM TRANSIT (HANDYDART) SYSTEMS
14 SYSTEMS

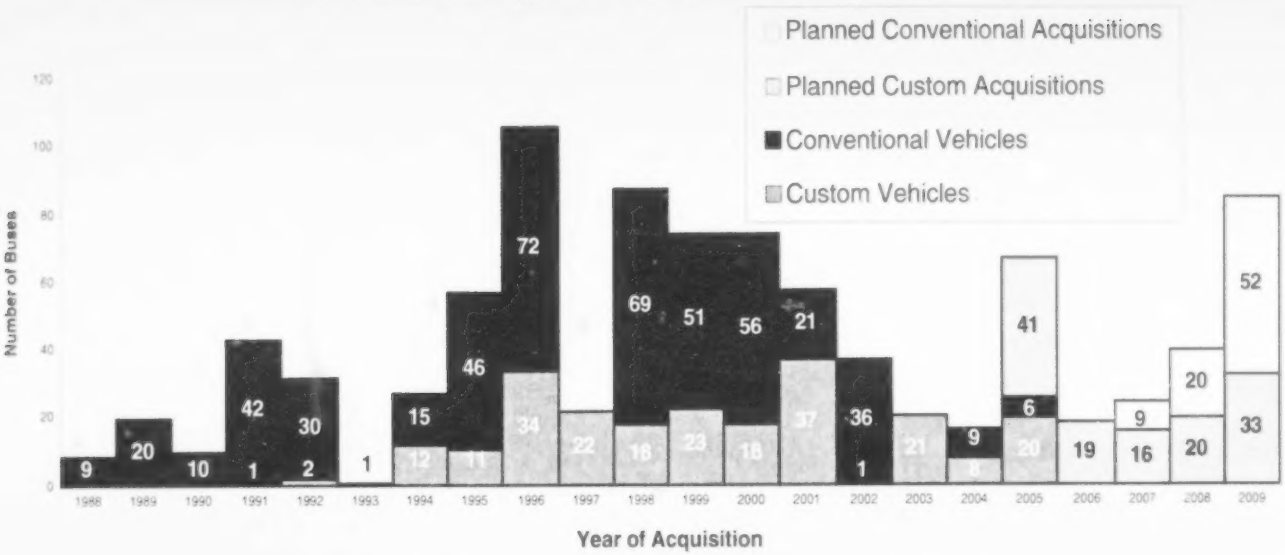
Alberni-Clayoquot
Campbell River
Central Fraser Valley
Chilliwack
Cranbrook
Kamloops
Kelowna Regional
Kitimat
Kootenay Boundary
Nanaimo Regional
Penticton
Prince George
Prince Rupert
Vernon Regional

PARATRANSIT SYSTEMS
32 SYSTEMS

100 Mile House & Area
Agassiz-Harrison
Boundary
Castlegar Regional
Chetwynd
Clearwater & Area
Comox Valley
Cowichan Valley
Creston Valley
Fort St. John
Hazeltons' Regional
Kaslo
Kimberley
Nakusp
Nelson and Area
Nelson–Slocan Valley
North Okanagan
Okanagan-Similkameen
Osoyoos
Pemberton Valley
Port Edward
Powell River
Princeton & Area
Quesnel
Revelstoke
Shuswap
Smithers & District
Squamish
Summerland
Sunshine Coast
Terrace Regional
Williams Lake

APPENDIX C
Fleet Profile and Acquisition Plan

BC Transit Fleet Age Profile & Acquisition Plan (# of Vehicles)



This plan currently matches the Long Term Capital Plan

This acquisition plan does not fully address the fleet requirements for the 2010 Vancouver Olympic and Paralympic Games for the Whistler area.

In addition to the in-service fleet profile above, BC Transit maintains a contingency fleet up to 15 useful vehicles for major campaigns, repairs or event emergencies.

BC Transit